

**THE INDUSTRIAL BOARD OF
COFFEE COUNTY, TENNESSEE, INC.**

FINANCIAL STATEMENTS

JUNE 30, 2008

**THE INDUSTRIAL BOARD OF
COFFEE COUNTY, TENNESSEE, INC.
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INTRODUCTORY SECTION

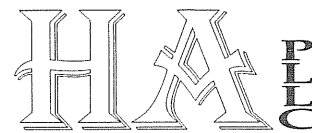
**THE INDUSTRIAL BOARD OF
COFFEE COUNTY, TENNESSEE, INC.
SCHEDULE OF BOARD OFFICIALS
JUNE 30, 2008**

Board Members:

George Brown
John Greeter
Bill Johnson
Ben Spaulding
Bill Comer
Jesse Overall
Buster Bush
Mary Niederhauser
Brent Parsley
Elmer Morris
Roland Segroves
James McKenzie
Jeff Fishman
Jasper Smith
Marvin McKee

FINANCIAL SECTION

HOUSHOLDER ARTMAN, PLLC
CERTIFIED PUBLIC ACCOUNTANTS



P.O. Box 1568
Tullahoma, Tennessee 37388

Independent Auditors' Report

Telephone 931-455-4248
Fax 931-393-2122

October 30, 2008

Board of Directors
The Industrial Board of Coffee County, Tennessee, Inc.

We have audited the accompanying financial statements of the governmental activities and general fund of The Industrial Board of Coffee County, Tennessee, Inc., a component unit of Coffee County, Tennessee, as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Industrial Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only The Industrial Board of Coffee County, Tennessee, Inc. and do not, present fairly the financial position of Coffee County, Tennessee, as of June 30, 2008, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of The Industrial Board of Coffee County, Tennessee, Inc. as of June 30, 2008, and the respective changes in financial position and budgetary comparison for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2008 on our consideration of the Board's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Industrial Board of Coffee County, Tennessee, Inc. has not presented management's discussion and analysis, which is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America.

Housholder Artman PLLC

THE INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Total
<hr/>		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 959,497	\$ 959,497
Accounts receivable	150	150
Interest receivable	7,871	7,871
Note receivable	68,679	68,679
	<hr/>	<hr/>
	1,036,197	1,036,197
Non-current assets:		
Capital assets, net of depreciation	196,118	196,118
	<hr/>	<hr/>
Total assets	\$ 1,232,315	\$ 1,232,315
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES		
Total liabilities	\$ -	\$ -
	<hr/>	<hr/>
NET ASSETS		
Invested in capital assets	196,118	196,118
Unrestricted	1,036,197	1,036,197
	<hr/>	<hr/>
Total net assets	\$ 1,232,315	\$ 1,232,315
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of this financial statement.

THE INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

	Governmental Activities	Total
Function/Program:		
Administration	\$ 243,392	\$ 243,392
General revenues:		
Contributions from county	472,663	472,663
Sign lease	1,750	1,750
Investment earnings	49,862	49,862
Land sale	100	100
Miscellaneous income	240	240
Total general revenues	524,615	524,615
Change in net assets	281,223	281,223
Net assets, beginning	951,092	951,092
Net assets, ending	\$ 1,232,315	\$ 1,232,315

The accompanying notes are an integral part of this financial statement.

THE INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Total Governmental Funds
	<hr/>	<hr/>
ASSETS		
Cash and cash equivalents	\$ 959,497	\$ 959,497
Accounts receivable	150	150
Interest receivable	7,871	7,871
Note receivable	68,679	68,679
	<hr/>	<hr/>
Total assets	\$ 1,036,197	\$ 1,036,197
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND FUND BALANCE		
Total liabilities	\$ -	\$ -
	<hr/>	<hr/>
Fund balance:		
Unreserved	\$ 1,036,197	\$ 1,036,197
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of this financial statement.

THE INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
JUNE 30, 2008

Total fund balance per fund financial statements	\$ 1,036,197
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds	<u>196,118</u>
Net assets of governmental activities	<u><u>\$ 1,232,315</u></u>

The accompanying notes are an integral part of this financial statement.

THE INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	General	Total Governmental Funds
REVENUES		
Contributions from county	\$ 472,663	\$ 472,663
Investment earnings	49,862	49,862
Miscellaneous income	1,990	1,990
	<hr/> 524,515	<hr/> 524,515
EXPENDITURES		
Salaries	127,918	127,918
Payroll taxes	9,811	9,811
Employee benefits	26,557	26,557
Executive director expense	2,651	2,651
Board members expense	4,323	4,323
Office operation	7,844	7,844
Memberships and subscriptions	1,563	1,563
Telephone	1,883	1,883
Auto expense	6,462	6,462
Prospect development/travel	11,138	11,138
Promotion	5,434	5,434
Capital outlay	203,184	203,184
Existing industries	2,488	2,488
Engineering services	9,234	9,234
Industrial park maintenance	13,070	13,070
Fees	836	836
Miscellaneous	22	22
	<hr/> 434,418	<hr/> 434,418
Excess of revenues over expenditures	90,097	90,097
OTHER FINANCING SOURCES		
Proceeds from sale of land	100	100
	<hr/>	<hr/>
Net change in fund balance	90,197	90,197
Fund balance, beginning	946,000	946,000
	<hr/>	<hr/>
Fund balance, ending	<u>\$ 1,036,197</u>	<u>\$ 1,036,197</u>

The accompanying notes are an integral part of this financial statement.

**THE INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

Net change in fund balance-governmental funds	\$	90,197
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Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Acquisition of capital assets that meet criteria for capitalization		202,883
Depreciation expense		(11,557)

The gain or loss on the disposal of capital assets is reported for governmental activities, whereas in the governmental funds, the proceeds of the sale increase financial resources. Thus, the change in net assets differs from the change in fund balances by the net book value of the capital assets disposed of.

		(300)
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Change in net assets of governmental activities	\$	281,223
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The accompanying notes are an integral part of this financial statement.

THE INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Budget Positive (Negative)</u>
REVENUES				
Contributions from county	\$ 272,958	\$ 475,663	\$ 472,663	\$ (3,000)
Investment earnings	-	-	49,862	49,862
Miscellaneous income	-	-	1,990	1,990
	<u>272,958</u>	<u>475,663</u>	<u>524,515</u>	<u>48,852</u>
EXPENDITURES				
Salaries	127,858	127,858	127,918	(60)
Payroll taxes	9,907	9,907	9,811	96
Employee benefits	32,043	32,043	26,557	5,486
Executive director expense	3,000	3,000	2,651	349
Board members expense	4,700	4,700	4,323	377
Office operation	9,900	9,906	7,844	2,062
Memberships and subscriptions	1,600	1,600	1,563	37
Telephone	2,000	2,000	1,883	117
Auto expense	7,000	7,000	6,462	538
Prospect development/travel	12,500	12,500	11,138	1,362
Promotion	9,750	9,750	5,434	4,316
Education	2,000	2,000	-	2,000
Capital outlay	2,000	204,705	203,184	1,521
Existing industries	10,000	10,000	2,488	7,512
Engineering services	7,000	10,000	9,234	766
Industrial park maintenance	30,000	26,994	13,070	13,924
Fees	1,700	1,700	836	864
Miscellaneous	-	-	22	(22)
	<u>272,958</u>	<u>475,663</u>	<u>434,418</u>	<u>41,245</u>
Excess of revenues over expenditures	-	-	90,097	(90,097)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of land	-	-	100	100
	<u>-</u>	<u>-</u>	<u>100</u>	<u>100</u>
Net change in fund balance	-	-	90,197	90,197
Fund balance, beginning	946,000	946,000	946,000	-
Fund balance, ending	<u>\$ 946,000</u>	<u>\$ 946,000</u>	<u>\$ 1,036,197</u>	<u>\$ 90,197</u>

The accompanying notes are an integral part of this financial statement.

THE INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Industrial Board of Coffee County, Tennessee, Inc. was incorporated in 1969. As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Industrial Board of Coffee County, Tennessee, Inc. The Board is a component unit of Coffee County, Tennessee (the primary government). The purpose of the Board is to promote industry and develop trade for Coffee County, Tennessee. The financial statements of the Industrial Board (Board), of Coffee County, Tennessee, Inc. have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Accounting Standard Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below:

Government-Wide Statements

In the government-wide Statement of Net Assets, the governmental activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The government-wide Statement of Activities reports both the gross and the net cost of the Board's programs. The functions are also supported by general governmental revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function.

The Board adopted the provisions of Governmental Accounting Standards Board Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments." Statement 34 established standards for external financial reporting for all state and local governmental entities which includes a statement of net assets, a statement of activities and changes in net assets and a statement of cash flows. It requires the classification of net assets into three components - invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of debt is included in the same net assets component as the unspent proceeds.
- Restricted – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net assets – This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e. both measurable and available). Available means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

THE INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The financial transactions of the Board are reported in individual funds in the fund financial statement. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues and expenditures. The Board reports the following funds:

General Fund – This fund is used as the general operating fund of the Board. It is used to account for all financial resources except those required to be accounted for in another fund.

The Board adopts a budget for the General Fund as a management control device. The budget is adopted on a basis consistent with generally accepted accounting principles.

Estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts or revenues and expenses during the reporting period. Actual results could differ from those estimates.

Equipment

Equipment is stated at cost, less accumulated depreciation, which is computed by the straight-line method over an estimated useful life of 5-20 years. Major expenditures for equipment and for repairs which substantially increase the useful lives are capitalized. Maintenance, minor repairs and minor acquisitions are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in revenue or expense.

Cash and Cash Equivalents

For purpose of reporting cash flows, cash equivalents include all short-term highly liquid investments with maturities of three months or less.

Accounts Receivable

The Board considers accounts receivable to be fully collectible at June 30, 2008; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged off when that determination is made.

Compensated Absences

There are no compensated absences to be accrued.

Federal Income Taxes

The Industrial Board of Coffee County is exempt from federal and state income tax.

THE INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pension Plan

The Board does not provide a pension plan for its employees; however, they are covered under the plan for Coffee County. Employees of Coffee County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS).

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.treasury.state.tn.us/tcrs/PS/>.

NOTE 2 – CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

The Board is authorized to deposit its funds in banks, trust companies, or other depositories as the Board may select. Deposits are carried at cost. At year-end the carrying amount of deposits was \$959,497, and the bank balance was \$965,622. Of the banks balances, \$300,000 were covered by federal deposit insurance and \$665,622 were collateralized with securities pledged that comply with statutes as acceptable collateral.

NOTE 3 – CAPITAL ASSETS

Property, plant and equipment consist of various office machines and improvements which are being depreciated over 5-20 years using the straight-line method.

A summary of changes in the capital assets is as follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Capital assets, being depreciated:				
Equipment	\$ 17,672	\$ 3,178	\$ (4,526)	\$ 16,324
Vehicles	-	199,705		199,705
Total capital assets, being depreciated	17,672	202,883	(4,526)	216,029
Less accumulated depreciation:				
Equipment	(12,580)	(1,572)	4,226	(9,926)
Vehicles	-	(9,985)	-	(9,985)
Total accumulated depreciation	(12,580)	(11,557)	4,226	(19,911)
Total capital assets being depreciated, net	<u>\$ 5,092</u>	<u>\$ 191,326</u>	<u>\$ (300)</u>	<u>\$ 196,118</u>

Depreciation expense for the year ended June 30, 2008 was \$11,557.

THE INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 4 – COMMITMENTS AND CONTINGENCIES

The Board receives a substantial amount of its support from the local county government. A significant reduction in the level of such support, if this were to occur, may have an effect on the Board's programs and activities.

At June 30, 2008, the Board had entered in an agreement to build a speculative building in the City of Manchester Industrial Park. The building is to be partially paid with a Fast Tract Grant with a Board match of 18% or approximately \$135,000. The total cost is projected to be \$750,000. The City of Manchester is to reimburse the Board once the building is sold. Construction had not begun as of June 30, 2008.

As of June 30, 2008, a bid had been approved for water and sewer extension for the Fischer Tool & Die project at an approximate cost of \$35,885. In addition, a bid was accepted for roadwork in the Industrial Park in the amount of \$210,745. No costs have been expended as of June 30, 2008.

NOTE 5 – NOTE RECEIVABLE

The Board has a note receivable due from an individual dated September 28, 2006 to sell 17.42 acres located in the Coffee County Interstate Industrial Park. The gross sales price was \$104,520, with \$42,000 paid to the Board at closing, and a note receivable for the remainder of \$62,520. The note is due September 28, 2013 and is secured by a deed of trust on the property. No monthly payments are due until September 28, 2010, at which time payments of \$633 will commence for not more than three years, with the remainder being due at September 28, 2013. According to term of the note, interest is added to the principal balance annually. The interest rate is 5.5%. The balance of the note receivable at June 30, 2008 was \$68,679 which consists of principal balance of \$62,520 and \$6,159 interest.

NOTE 6 - LEASE AGREEMENT

The Board purchased a fire truck in July 2007 for \$199,705. The truck is to be leased to the Hickerson Station Fire Department, and the fire station is responsible for insurance, maintenance and service on the truck.

INTERNAL CONTROL AND COMPLIANCE SECTION

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

October 30, 2008

To the Board of Directors
The Industrial Board of Coffee County, Tennessee, Inc.

We have audited the financial statements of the governmental activities and general fund of The Industrial Board of Coffee County, Tennessee, Inc., a component unit of Coffee County, Tennessee, as of and for the year ended June 30, 2008, and have issued our report thereon dated October 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

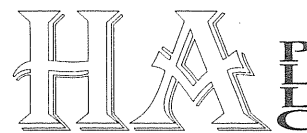
In planning and performing our audit, we considered The Industrial Board of Coffee County, Tennessee, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Industrial Board of Coffee County, Tennessee, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of The Industrial Board of Coffee County, Tennessee, Inc.'s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed in the following schedule of audit findings and recommendations, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects The Industrial Board of Coffee County, Tennessee, Inc.'s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of The Industrial Board of Coffee County, Tennessee, Inc.'s financial statements that is more than inconsequential will not be prevented or detected by The Industrial Board of Coffee County, Tennessee, Inc.'s internal control. We consider the deficiencies described in the accompanying schedule of audit findings and recommendations as Items 08-01 and 08-02 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by The Industrial Board of Coffee County, Tennessee, Inc.'s internal control.

HOUSHOLDER ARTMAN, PLLC
CERTIFIED PUBLIC ACCOUNTANTS



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Tullahoma, Tennessee 37388

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Fax 931-393-2122

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Industrial Board of Coffee County, Tennessee, Inc.'s financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of The Industrial Board of Coffee County, Tennessee in a separate letter dated October 30, 2008.

The Industrial Board of Coffee County, Tennessee, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Industrial Board of Coffee County, Tennessee, Inc.'s response and, accordingly, we express no opinion on it.

This report is intended for the information of the Board of Directors, management and government regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

Housholder Artman PLLC

**THE INDUSTRIAL BOARD OF
COFFEE COUNTY, TENNESSEE, INC.
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2008**

Item 08-01: Segregation of Duties

The size of the Board's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties.

Recommendation: Exercise proper segregation of duties to the extent possible with limited employees.

Management's response: We concur with the auditors' findings and recommendations.

Item 08-02: Financial Statement Preparation

Under professional standards promulgated by the American Institute of Certified Public Accountants, there is a presumed deficiency in internal control when the financial statements and related disclosures are drafted by the auditor, unless the Board possesses an accounting department that is staffed with personnel with requisite skills and training to perform such function and the function was performed by the auditor as an accommodation to management. For this engagement, financial statements were submitted to us which were generated as a by-product of the bookkeeping system. We proposed certain adjustments to these financial statements as a result of our audit and we drafted the financial disclosures required by professional standards.

Recommendation: Due to the nature and size of the Board, it may not be feasible or possible to perform these functions internally. Therefore, management may wish to acknowledge and accept this deficiency or develop compensating controls.

Management's response: We concur with the auditors' findings and recommendation.

**THE INDUSTRIAL BOARD OF
COFFEE COUNTY, TENNESSEE, INC.
DISPOSITION OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2008**

Item 07-01: Segregation of Duties

In the review of the overall accounting controls of the Board's accounting system, several areas were found where proper segregation of duties might be obtained.

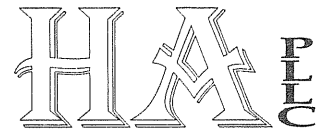
Current status: See current year schedule of findings and responses.

Item 07-02: Financial Statement Preparation

The employees and management responsible for the accounting and reporting function lack the qualifications and training to apply generally accepted accounting principles in the preparation of the financial statements.

Current status: See current year schedule of findings and responses.

HOUSHOLDER ARTMAN, PLLC
CERTIFIED PUBLIC ACCOUNTANTS



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Fax 931-393-2122

October 30, 2008

To the Board of Director
The Industrial Board of Coffee County, Tennessee, Inc.

We have audited the financial statements of the governmental activities and the general fund of The Industrial Board of Coffee County, Tennessee, Inc. for the year ended June 30, 2008, and have issued our report thereon dated October 30, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated July 2, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of The Industrial Board of Coffee County, Tennessee, Inc. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of The Industrial Board of Coffee County, Tennessee, Inc.'s compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by The Industrial Board of Coffee County, Tennessee, Inc. are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events.

The disclosures in the financial statements are neutral, consistent, and clear.

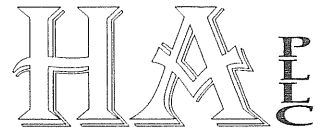
Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

HOUSHOLDER ARTMAN, PLLC
CERTIFIED PUBLIC ACCOUNTANTS



P.O. Box 1568
Tullahoma, Tennessee 37388

Telephone 931-455-4248
Fax 931-393-2122

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 30, 2008.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Board of Directors and management of The Industrial Board of Coffee County, Tennessee, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads 'Housholder Artman, PLLC'.

Housholder Artman, PLLC